

~~TOP SECRET~~

NIE-32

21 June 1951

result of Economic subcommittee mtg of  
oflornon 20 June. CNA gave inform

Paragraphs 12 - 14 as revised at the IAC representatives meeting of ~~ILLEGIB~~  
20 June.

A13  
8/14  
June

# 13  
12. The industrial sector of the Chinese Communist's economy  
operates virtually on a day-to-day basis, both in terms of raw  
materials and plant maintenance. Foreign trade with the West during  
~~During~~ was at ~~remained at the~~  
the first quarter of 1951 remained at the high levels of 1950, pri  
because of the sharp increase in China's imports from Hong Kong.  
Data on Western flag shipping into Hong Kong and Chinese Communist  
ports since 1 April indicate that such shipping has fallen off  
sharply. We believe that Western trade restrictions are almost  
entirely responsible for this decline in shipping and that these  
restrictions will have an increasingly adverse effect on Communist  
smuggling and trade with non-cooperative nations will increase.  
China's import capabilities during the remainder of the year. There  
have been shortages for some months of petroleum for civilian use  
and of certain fairly important specialized industrial items. Very  
recently as a result of raw cotton shortages textile mills have  
shut down. The Communists assert that these shutdowns are only for  
a six-week period, but admit that they are related to import  
difficulties as well as to the failure of the cotton collection  
program in China itself.

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NO CHANGE IN CLASS. LI

DECLASSIFIED

CLASS. CHANGED TO: NS-3

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*AF 14  
9/14/50  
JWMD*  
13. [In 1950, industrial output expanded greatly, particularly in the case of military-type goods. Announced industrial output goals for 1951, indicate only modest increases over 1950.] However we believe that, in spite of reports of plant dispersals and raw material shortages, the munitions industry is, ~~we believe~~, producing at capacity and expanding.

*AF 14  
9/16/50  
JWMD*  
14. During the large initial troop movements northeastward in the summer and autumn of 1950, there were serious interruptions in the rail movement of non-military goods throughout China. Since that time, although military traffic has presumably interfered with the general distribution of goods throughout China, <sup>particularly</sup> ~~and in Manchuria,~~ and although there have been recent indications of delay in the movement of individual non-military shipments, there is no evidence that the aggregate volume of traffic outside Manchuria in essential non-military items has been sharply curtailed.

15 will be 16 of 18 line draft

16 will be 10 of 11 line draft

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